

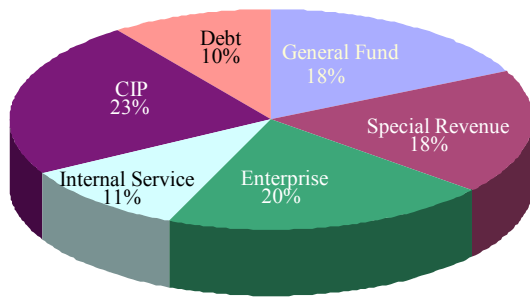
Overview

2006 Executive Proposed King County Budget

King County government is the second largest provider of government services in the state of Washington, with a 2006 budget totaling almost \$3.4 billion. The county delivers a broad range of services like public transportation, elections, jail, law enforcement, courts, road construction and maintenance, social services, public health, and wastewater treatment, and plays an important role in providing services used every day by its residents. King County must also balance its role as a regional service provider for 1.8 million county residents with its responsibility as the local service provider to over 350,000 residents who live outside of a city.

Figure 1

2006 Executive Proposed Total King County Budget \$3.4 Billion in 2006



	2005	2006	
Budget (in millions) ¹	Adopted	Proposed	+/-
General Fund	562.1	598.7	36.6
Special Revenue	620.0	614.8	(5.2)
Enterprise	638.6	677.6	39.0
Internal Service	337.4	360.3	22.9
Capital Improvement	994.9	772.5	(222.4)
Debt Service	298.1	333.7	35.7
TOTAL	3,451.0	3,357.6	(93.5)

1 Variances may not match due to rounding in all t

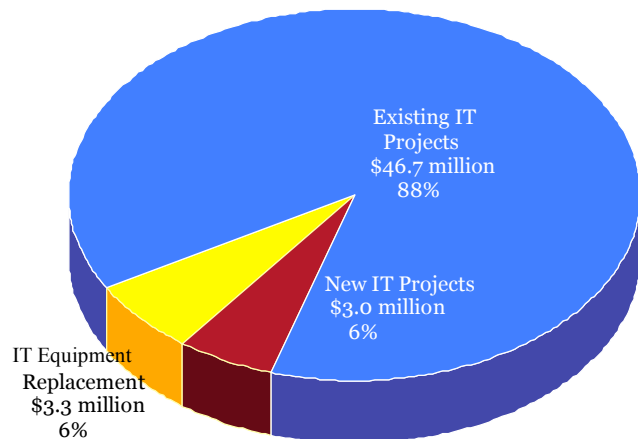
Investing for the Future King County's Strategic Priorities

2006 is a critical year for moving forward on the initiatives begun in 2004 and 2005 to make prudent investments in technology and capital projects, encourage annexations, and control the growth of employee health care costs. The county's investment in these strategic priorities will help reduce the long-term costs of doing business and control cost growth through targeted spending.

Technology Investments

Investment in information technology (IT) projects continues to be an important priority for the Executive and has become a significant component of King County's funding requirements. Investment in the innovative use of information technology creates new or improved capabilities in the performance of county functions, applying technologies that are cost effective and are easy to access and use by the public and county staff.

Figure 2
Information Technology Project Funding
\$53.0 Million in 2006



The 2006 IT projects provide an emphasis on operational stability and mitigation of identified county risks. In particular, the emphasis of 2006 IT investments is for the continuation of existing IT projects in the area of risk management and improved operational services.

The 2006 budget includes appropriation requests totaling \$53.0 million for 49 projects across 15 county agencies. Each of the projects is aligned to one of the established four IT goals 1) accountability, 2) customer services/accessibility, and 3) efficiency, and 4) risk management. \$46.7 million will be used to continue or complete 15 of the existing county IT projects, and \$3.3 million is for IT equipment replacement requirements.

\$2.1 million of the remaining \$3.0 million will be spent on eight new IT implementation projects that align with the IT goals. \$900,000 will be invested in gaining critical business and technical information to support the preparation for future investment in IT technology that will improve operating efficiencies and public services.

Capital Project Investments

The 2006 King County capital budget includes significant infrastructure investments to support our region for years to come. The Brightwater Treatment Plant construction helps to provide capacity for regional population growth through the year 2030 and beyond. Water re-use projects are proposed to reduce our vulnerability to water shortages caused by droughts compounded by climate change. Funding for land

acquisitions is available for the conservation of open space and projects to protect salmon habitat. A trail system expansion is proposed to offer more opportunities for public recreation and exercise.

Annexation Initiative

The third year of the Annexation Initiative will build on the progress of the previous two years in working with cities and unincorporated communities to identify the best alternatives for city-based governance. It is anticipated that 2006 will be a year in which a number of annexation and incorporations decisions occur. Provided that voter approval is obtained in November 2005, the City of Issaquah will annex the Klahanie and Greenwood/South Cove communities in March of 2006. County staff will continue to focus efforts on three designated priority areas: North Highline, Kirkland, and Fairwood, which are engaged in active annexation or incorporation discussions and have the potential for significant General Fund savings.

In addition, staff will also continue to work with various county and city associations, state and local elected leaders, and others to pursue changes to state law that would serve to streamline the various annexation methods; provide new funding sources to either ease the cost of annexation; or to provide the county with funds to provide local services until such time as annexation occurs.

The county must further develop plans to offer competitive contract services to cities after annexation or incorporation. Consistent with county policy, these plans must incorporate full-cost recovery for the county. Transition planning must also thoroughly examine the impact of decreased levels of direct service provision on departmental overhead, countywide overhead, and internal service fund expenditures. The challenge will be to identify maximum practicable savings in overhead as direct service expenditures are reduced. Securing overhead savings is critical not only in terms of competing to provide new contract services, but also to remaining competitive in the delivery of existing contract services.

Health Reform Initiative

Another vital investment effort is controlling health care costs while providing quality care for county employees and their families. In 2005, King County launched the Health Reform Initiative. This program represents an innovative approach to address the continued double-digit increases in health care costs that employers are facing nationally and locally. The approach involves a two-pronged strategy to work regionally with the broad spectrum of interests that can impact health care service delivery and to design a new health plan for King County employees that rewards and reinforces accountability for health and health care related decisions and actions.

In 2005, King County put in place pilot programs to help reduce the long-term trend increase in health care costs. In 2006, King County will begin the Wellness Assessment Program, and in 2007, King County will begin the Healthy IncentivesSM Program that will encourage employees and their spouses/domestic partners to improve or maintain their health.

For 2005, King County's claims costs are coming in well below what was projected a year ago at this time. The proposed budget includes a modest increase of 5 percent in the Flex benefits rate charged to all county funds.

In 2006, the county will implement the Healthy Workplace Funding Initiative, funded at \$25 per benefits eligible employee. This initiative will enable departments, with the participation of their employees and labor partners, to address healthy workplace issues. While this may seem a relatively small initiative, it demonstrates our commitment to helping our employees and their families live healthier lives which will make them more effective and efficient employees, and at the same time reduce the rate of growth in our employee health care costs.

King County's

Funding Priorities

Over the course of the last five years King County faced major financial challenges. Over that period balancing the General Fund Budget required making reductions of \$137 million. These reductions have been accomplished through rigorous adherence to sound financial policies and have been guided by funding priorities consistent with the role that King County plays as a regional government. Concurrent with the 2006 Proposed Budget, the Executive has proposed codification of the county's financial policies and funding priorities.

SAFETY AND HEALTH

Public safety and public health are the highest priority of county government;

MANDATORY SERVICES over discretionary services

Services that are mandated by federal and state law i.e., criminal justice and public health, shall be prioritized over discretionary services;

REGIONAL SERVICES over local services

Services provided on a regional basis shall be prioritized over local services;

UNINCORPORATED SERVICES over local city services

Services to unincorporated residents for whom the county acts as their municipal government shall be maintained over local services;

DIRECT SERVICES over administrative functions

Services that provide a direct benefit to citizens shall be prioritized over administrative services;

RAISING FEES over cutting services

Fees shall fully recover the cost of providing services, considering the needs of low-income citizens and seniors as appropriate;

FULL COST RECOVERY on contracts

Contracts for services with cities or others shall fully recover costs to the county of providing such services;

MAINTAIN STATE AND FEDERAL FUNDING

General Fund revenues shall not be used to replace reduced or eliminated federal or state-funded grant programs;

ANNEXATION AND INCORPORATION

The county will invest available one-time or unanticipated revenues to facilitate the annexation or incorporation of urban unincorporated areas of King County by 2008.

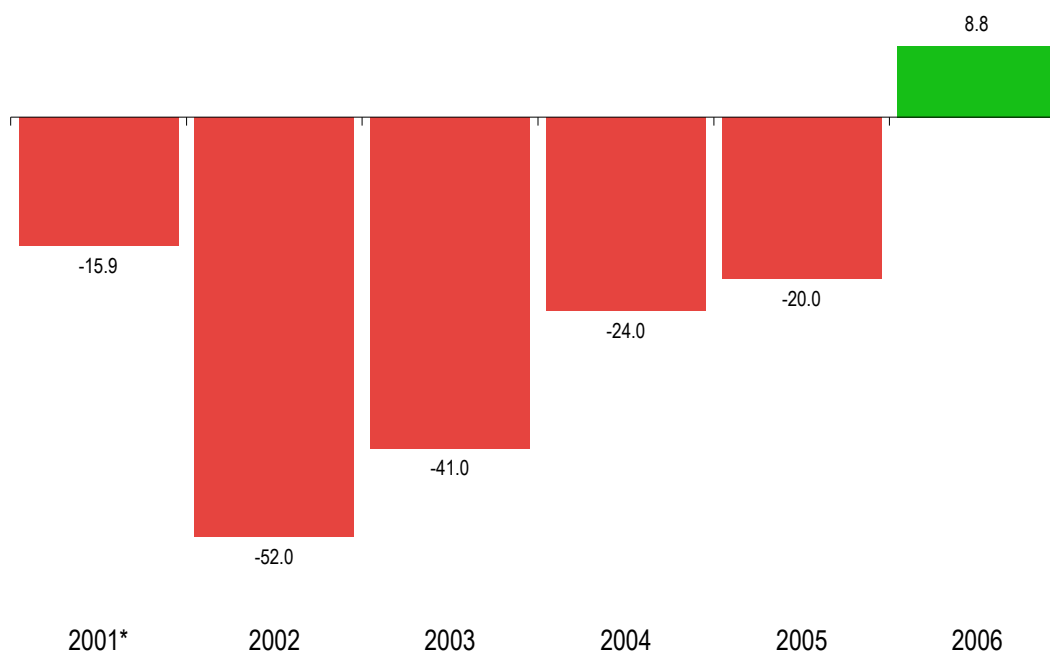
For the first time since 1998, the General Fund financial plan is balanced without requiring any budget reductions

- In 1999, voters approved Initiative 695, ending the Motor Vehicle Excise Tax and slashing transit, law enforcement, and public health funds.
- In 2000, the dot-com stock bubble burst, and county personal income stagnated.
- In 2001, the September 11th terrorist attacks devastated aircraft manufacturing.
- Two months later, Initiative 747 passed, limiting regular property tax growth to one percent.

For the last four years, the county has grappled with the structural deficit between long-term revenue and expenditure growth. Cost growth has been reduced in virtually all agencies, as the government has worked to provide the same service levels with fewer resources.

Initial Budget Deficit/Surplus

General Fund, 2001-2006, Millions of dollars



* Includes \$12.1 million in emergency supplemental reductions taken during year.

As a consequence of lower cost growth and a strong economy, the general fund reflects a small surplus in 2006. The above chart illustrates the initial deficit or surplus heading into each of the last five years, before taking budget cuts to balance the budget. The 2006 Executive Proposed Budget allocates the \$8.8 million surplus to one-time additions to human services and criminal justice programs.

Status Quo Budget Deficit/Surplus

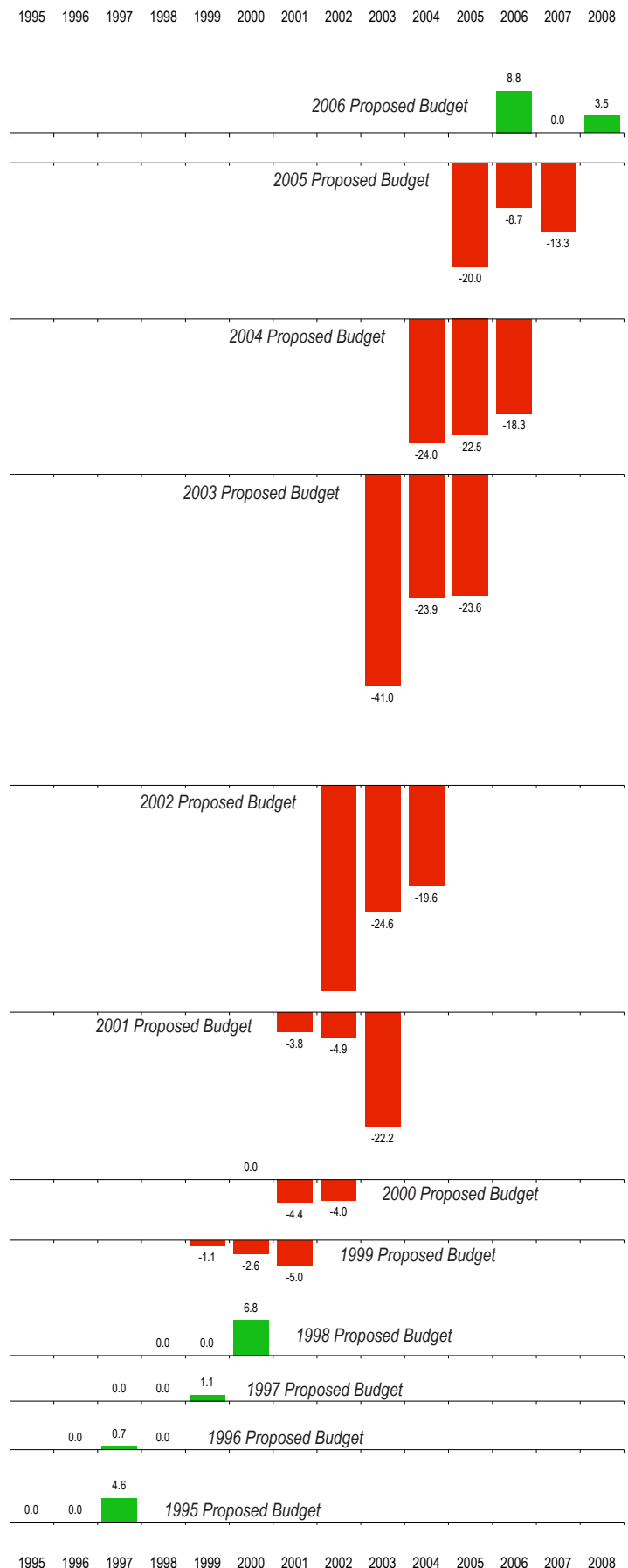
Current Expense Subfund, Reductions Required to Balance Financial Plan

The chart to the right depicts the three-year status quo financial plan balance transmitted with each budget since 1995. For example, the 2006 Executive Proposed Budget shows a surplus of \$8.8 million in 2006, reflecting the difference between available revenue and the cost of maintaining current services.

The Office of Management and Budget continues to forecast long-term annual revenue growth at 4 percent. Expenditure growth, however, has dropped substantially in recent years. Instead of the 6 percent status quo cost growth of the late 1990s, expenditures are projected to grow by just 4.2 percent annually over the next four years. As a consequence, there is no anticipated difference between revenues and expenditures.

Rather than a structural deficit, occurring regardless of economic conditions, the county has returned to a cyclical deficit. When the economy performs well, the General Fund will reflect modest surpluses. During a downturn in the business cycle, budget shortfalls will likely reappear.

This increases the importance of long term planning to prevent boom and bust cycles in programs and operations. Fiscal discipline has enabled the county to overcome seven years of budget deficits; it will be needed to keep deficits from returning in the future.



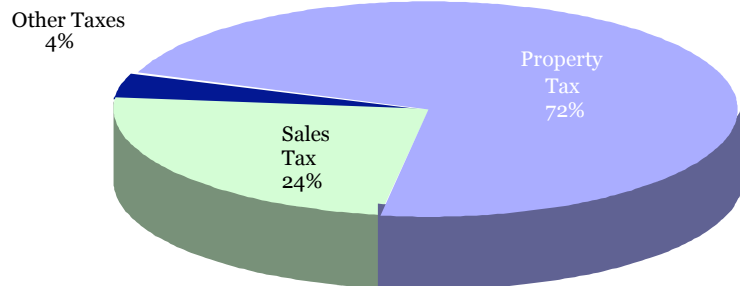
2006 Executive Proposed General Fund Revenues

Taxes account for the bulk of general fund revenues, supporting 66 percent of general fund services. The largest source of tax revenue for the fund is the countywide property tax levy. In 2006, property taxes, less distributions for debt service but including delinquencies and penalties, will be \$272.3 million, or 72 percent of total tax revenues.

Sales taxes are the second largest source of general fund tax revenue, will total \$91.4 million in 2006. King County collects a 1.00 percent general local option sales tax in the unincorporated areas, and a tax of 0.15 percent inside of cities. Last year the county consolidated the Criminal Justice Fund into the Current Expense Subfund of the General

Fund. As a result, the 0.10 percent criminal justice sales tax is now part of the General Fund. This revenue is shared with cities, allocated on the basis of population. The county also receives significant revenue from the cable franchise fee and gambling and liquor taxes.

Figure 3
General Fund Tax Revenues
\$378.4 m in 2006 -66% of total



Property Tax

Property taxes are limited by both county policy and state law. Under Initiative 747, approved by Washington voters in 2001, the regular levy can grow at only one percent annually, plus the increase in new construction valuation. With inflation typically averaging two or three percent, the effect of Initiative 747 is to gradually decrease the effective tax paid by typical property owners, and reduce the dollars available for the General Fund. The countywide levy is projected to grow by roughly 3.25 percent in 2006, with new construction accounting for 2.25 percent of the increase.

Figure 4
Property Tax Revenue Growth Components

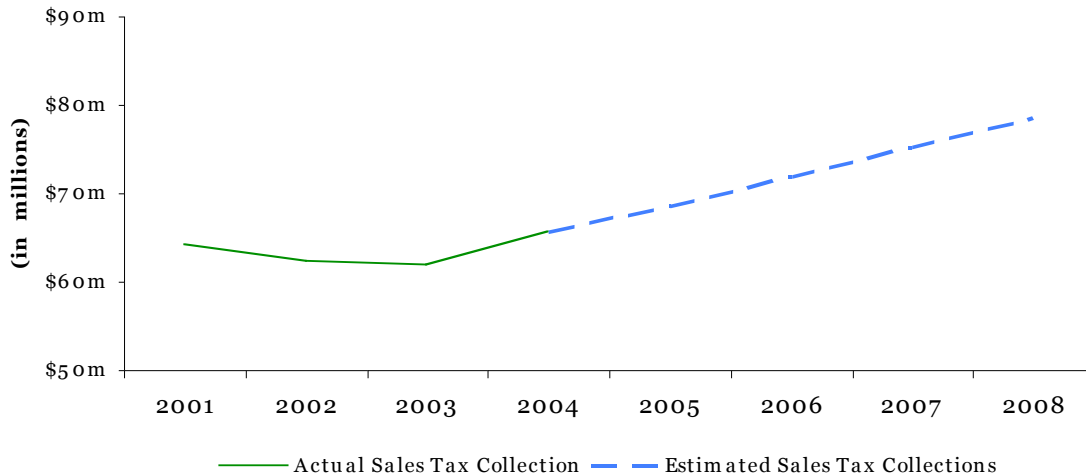


Sales Tax

The sales tax is strongly influenced by changes in the economy and by the geographic areas from which it is collected. The 2001 recession depressed sales tax collections until this past year. Sales tax revenue is forecast to grow 4.7 percent annually from 2005 to 2008. Long term sales tax growth is undermined by growth in untaxed remote sales through internet and catalog retailers.

Figure 5

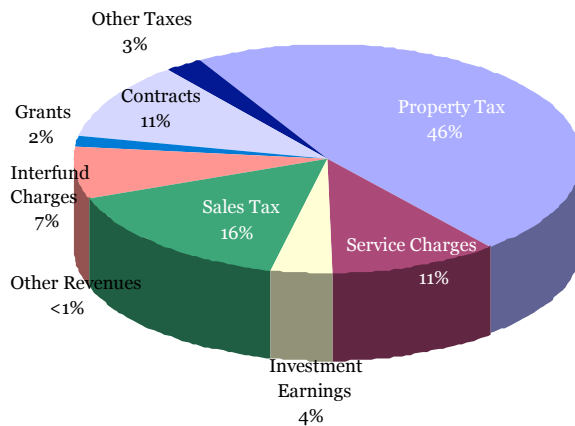
General Fund Sales Tax Revenue Growth*



* For historical comparison purposes, this table excludes the CJ sales tax merged into the general fund at the end of 2004.

Figure 6

All General Fund Revenues \$575.2 Million in 2006



Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Property Tax ¹	244.9	272.3	27.4
Sales Tax ²	84.2	91.4	7.2
Contracts	61.1	61.8	0.6
Service Charges	50.9	61.5	10.6
Interfund Charges	63.4	40.5	(23.0)
Other Taxes	13.2	14.7	1.6
Investment Earnings	11.0	22.6	11.7
Grants	10.5	10.2	(0.3)
Other Revenues	0.2	0.2	(0.0)
TOTAL	539.4	575.2	35.8

1 Property Tax revenue includes debt service

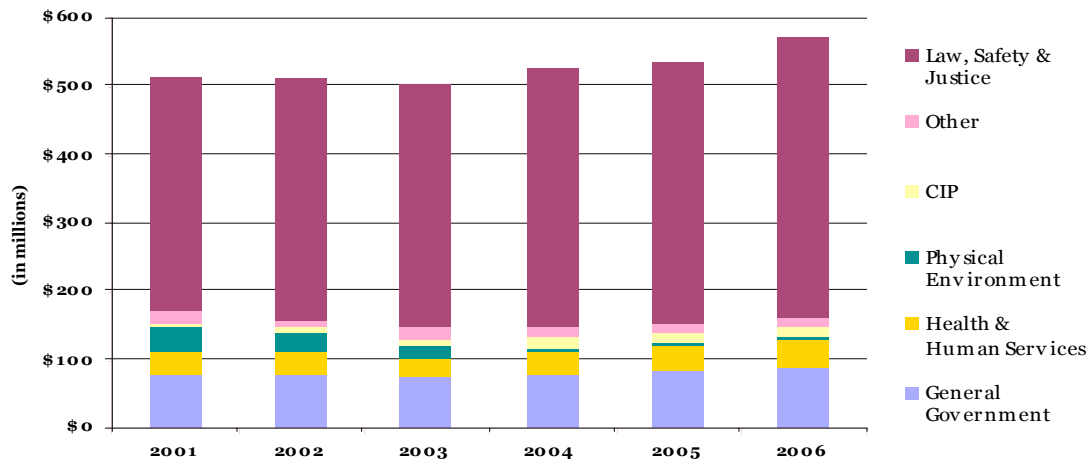
2 This amount includes CJ sales tax that merged into the general fund.

Historical General Fund Expenditures

The following tables summarize growth in the General Fund's program areas since 2001.

Figure 7

Historical General Fund 2001 Adopted to 2006 Proposed



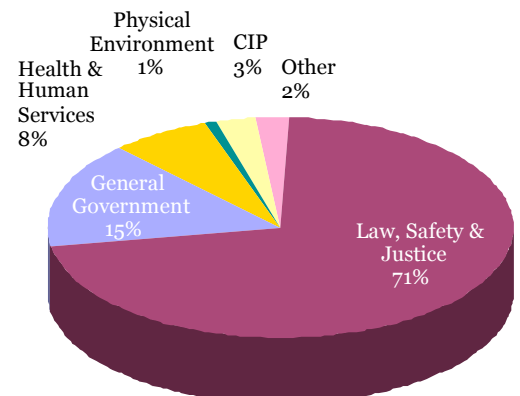
Budget (in millions)	2001	2002	2003	2004	2005	2006
General Government	79.4	78.1	74.4	81.1	84.8	89.3
Health & Human Services	34.3	32.4	27.4	28.8	34.0	40.0
Physical Environment	34.8	31.0	20.1	5.7	5.8	5.9
CIP	4.0	6.6	8.9	20.8	17.3	15.7
Other	18.8	11.0	19.3	14.3	10.2	14.1
Law, Safety & Justice	340.8	353.5	354.9	374.5	384.7	410.9
TOTAL	512.2	512.5	504.9	525.3	536.8	575.9

Figure 8

2006 Proposed General Fund Budget Expenditures

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Law, Safety & Justice	384.7	410.9	26.2
General Government	84.8	89.3	4.4
Health & Human Services	34.0	40.0	6.0
CIP	17.3	15.7	(1.5)
Other	10.2	14.1	3.9
Physical Environment	5.8	5.9	0.1
TOTAL¹	536.8	575.9	39.1

¹ Totals may not match with individual tables due to rounding.



General Fund Expenditure Highlights in 2006 by Program Area

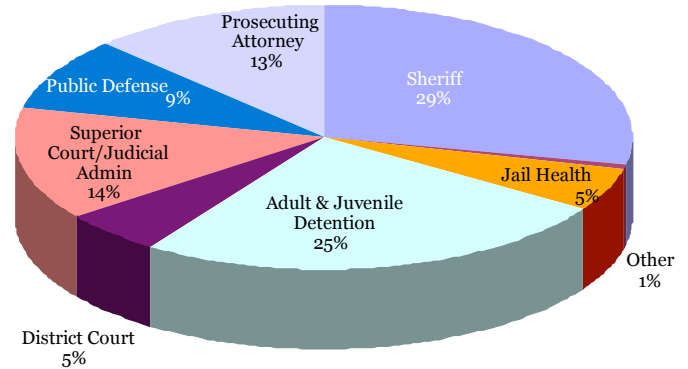
Figure 9

Law, Safety and Justice

\$410.9 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Sheriff Office	110.7	115.9	5.2
Adult & Juvenile Detention	99.1	103.7	4.6
Superior Court/Judicial Admin	51.9	57.1	5.2
Prosecuting Attorney	47.7	51.5	3.8
Public Defense	32.1	35.9	3.8
District Court	21.3	21.8	0.5
Jail Health	19.7	22.6	2.9
Other ¹	2.0	2.2	0.2
TOTAL	384.6	410.9	26.2

1 Other includes Emergency Services and Facilities Management.



Sheriff's Office

- The Sheriff's Office will add 12 officers to the METRO Transit Security Unit allowing the department to meet the manpower needs with staff directly assigned to the unit rather than utilizing off duty officers on an overtime basis. It is expected that this will improve the management of METRO Security issues. The move allows the Sheriff to redeploy 12 officer positions that had been funded by grants that were scheduled to end in 2006 to METRO Transit.

Department of Adult and Juvenile Detention (DAJD)

- The 2006 Executive Proposed Budget for the DAJD assumes an average daily secure population of 2,391. This includes a total Department of Corrections population of 195 billable inmates. For 2006, the department expects the inmate population from contracted King County cities to average 230, a level slightly above the contractual cap of 220. This acknowledges the cities' needs for local jail beds and King County's commitment to regional solutions for providing secure detention housing.
- DAJD remains committed to the goal of expanding programs that provide alternatives to secure detention. To continue facilitating this process, the Executive Proposed Budget invests funds in DAJD's Community Corrections Division to expedite the placement of appropriate offenders into the various alternatives to secure detention.

Prosecuting Attorney (PAO)

- The 2006 Executive Proposed PAO Budget responds to advances in forensics analysis by forming a "Cold Case Unit". This unit will work closely with local law enforcement agencies in reviewing and cataloging evidence from the more than 550 murder cases still unsolved in King County. The 2006 Executive Proposed Budget also funds the creation of an Auto Theft Unit within the PAO.

Office of the Public Defender (OPD)

- The Proposed Budget for OPD includes an increase of \$2.7 million for 2006 public defense contracts. In July 2005, the Metropolitan King County Council passed a motion that stipulates how OPD contracts are to be negotiated. In accordance with the motion, the 2006 Executive Proposed Budget includes significant changes to the contract model for public defense services. The contract model is also adjusted to reflect projected 2006 caseload and caseload standards.

Superior Court and Judicial Administration

- The Executive Proposed Superior Court Budget enhances existing Superior Court services. A Commissioner and a related Court Coordinator are proposed to provide more judicial resources for dependency review hearings and permanency planning hearings. The administrative staff to support the additional commissioners has been added in the Department of Judicial Administration budget. In an effort to reduce the number of cases on standby, the budget includes funding for additional civil pro tem judge time.

Figure 10

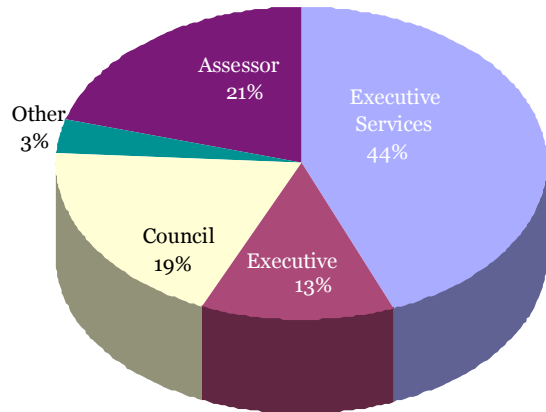
General Government

\$89.3 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Executive Services			
Records, Elections & Licensing	20.7	22.8	2.1
Human Resources	7.7	8.1	0.5
Treasury	2.8	3.2	0.4
Property Services	2.6	2.8	0.2
Administration	2.1	2.1	0.0
Cable Communications	0.2	0.2	0.0
Assessor	17.8	18.5	0.7
Council	16.8	17.1	0.3
Executive	11.3	11.6	0.3
Other ¹	2.8	2.8	0.0
TOTAL²	84.8	89.3	4.4

¹ Includes State Auditor, Boundary Review Board, contingencies and memberships and dues.

² Total may not match summary table due to rounding.



Council Agencies

- In response to a voter initiative that mandated a reduction in the number of council districts from 13 to nine and council redistricting, a reduction in the number of council members is reflected in the Proposed Budget.

Executive Agencies

- The Office of Management and Budget will continue the Annexation Public Outreach initiative to spur annexations and incorporations of urban unincorporated areas in the county. Provided that a successful annexation vote occurs in November 2005, the City of Issaquah will annex the Klahanie and Greenwood/South Cove communities in March of 2006. Appropriation is included in the 2006 budget to support negotiated incentive agreements.

Assessments

- In 2006 Department of Assessments will continue the Property Based System Replacement Project (PBS), which is designed to replace the 25 year old system currently used for assessing property, calculating levy rates and collecting taxes. Investment in a new system will ensure that the critical property tax functions remain reliable, timely, accurate and efficient for the tax payers, the county, and the 100 local governments that the county serves.

Executive Services

- The Department of Executive Services Administration will create a dedicated, publicly identifiable Public Disclosure Officer position to provide centralized support to all county departments to more efficiently assure their compliance with public disclosure laws.

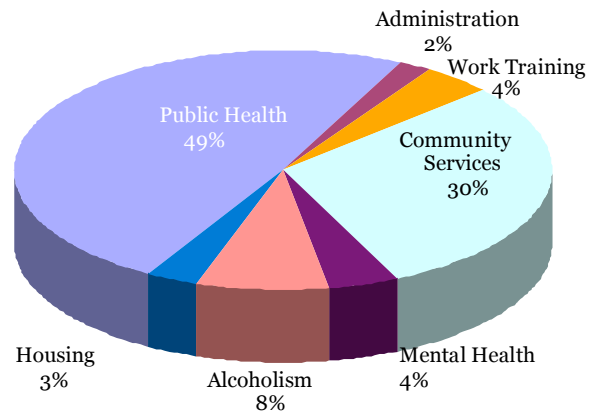
Figure 11

Health and Human Services

\$40.1 Million for 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Public Health	13.9	19.6	5.7
Community & Human Services			
Community Services	12.5	11.9	(0.6)
Alcoholism	3.1	3.2	0.1
Work Training	1.7	1.7	0.0
Mental Health	1.6	1.7	0.0
Housing	1.2	1.2	0.0
Administration	0.7	0.8	0.1
TOTAL¹	34.8	40.1	5.3

¹ Total may not match with summary table due to rounding.



Public Health

- Overall the Public Health Fund expenditure budget is stable in 2006 compared to last year while the Current Expense transfer for Public Health is increasing by \$5.7 million dollars. While there are some new programs or program expansions reflected in the CX budget, these are limited to small services either essential to the department's mission, as in the case of the Satellite Tuberculosis (TB) Clinic, or mandated by external forces such as the increased subsidy level for food inspection of schools and charitable organizations.

The bulk of the Current Expense increase is required to continue to provide the critical health services to the most vulnerable populations. The Health Department has been experiencing under realization of revenues for a number of years resulting from changes in traditional revenue sources such as Medicaid and increases in the number of uninsured or underinsured patients. This issue was identified in 2005 and the department began an operational master planning process to address both service delivery and stable funding structure. Until that process is complete in 2007 however, the challenge of maintaining services to our most vulnerable populations will require additional CX support.

Housing

- With the publication of "*A Roof Over Every Bed: Our Community's Ten-Year Plan to End Homelessness in King County*," King County is taking a leadership role in the region's comprehensive response to ending homelessness. King County has a long history of providing housing and support services to people who are homeless. In 2005, King County will manage over \$31 million in programs designed to prevent homelessness, and provide housing and services to homeless people, or those in danger of becoming homeless. King County has been recognized for providing some of the highest quality homeless services through innovative and creative practices. The 2006 Executive Proposed Budget reflects this imperative to end homelessness through continued management of programs and services that directly aid the homeless, and to funding, in partnerships, projects and programs to prevent homelessness.

Community Services Division (CSD)

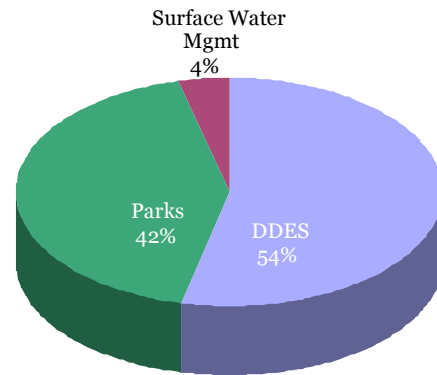
- The CSD will continue to focus its efforts on regional services by coordinating and managing the \$9.5 million in special programs and projects funded through CSD. The Division will also strive to reduce pressure on the juvenile justice system by providing technical assistance to community providers for the implementation of the Elements of Successful Programs as developed by the Juvenile Justice Operational Master Plan.

Figure 12

Parks and Development & Environmental Services

\$5.9 Million for 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
DDES	2.8	3.2	0.3
Parks	2.8	2.5	(0.3)
Surface Water Mgmt	0.2	0.2	0.0
TOTAL	5.8	5.9	0.1



Parks and Recreation Division

- Moving toward the county's goal of being a regional and rural provider for Parks services, the Parks and Recreation Division has successfully negotiated with the Northwest Center the transfer of the Evergreen and Renton pools. The 2006 Executive Proposed Budget reflects \$789,896 in savings as a result of this transaction.
- Work is underway to begin planning for the future of the King County Parks and Recreation Division when the current levy expires in 2007.

Department of Development and Environmental Services

- The Department of Development and Environmental Services (DDES) will augment clerical resources devoted to Code Enforcement to increase efficiency and allow code enforcement officers to process more cases.
- DDES will initiate a two year fire prevention education program focused on safety measures such as fire and injury protection and youth fire-setting intervention.

Other Funds

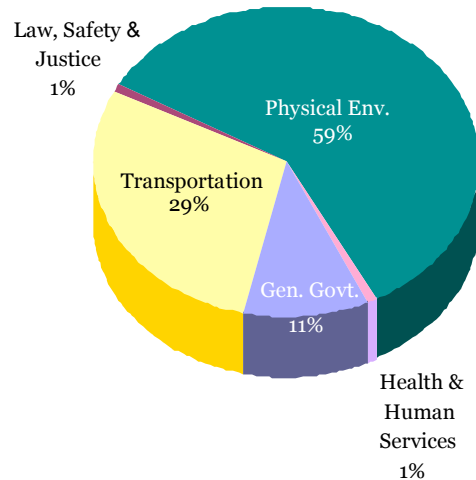
Figure 13

Capital Improvement Fund

\$772.5 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Physical Environment			
Open Space	13.3	18.3	5.0
Flood & Surface Water ¹	11.3	9.1	(2.2)
Solid Waste	35.4	22.1	(13.2)
Wastewater Treatment	567.4	364.0	(203.4)
Park Facilities	30.8	42.2	11.4
Transportation			
Airport	13.2	10.3	(2.9)
Roads	58.8	44.6	(14.2)
Transit ¹	59.9	94.3	34.3
Transfer to Operating	70.6	72.2	1.6
General Govt. ¹	77.5	82.1	4.6
Law, Safety & Justice	21.9	7.3	(14.5)
Health & Human Services	34.8	5.9	(28.8)
TOTAL	994.9	772.5	(222.4)

¹ These funds have been adjusted to exclude transfers to and from other funds.



Physical Environment

- The Wastewater Treatment Division will continue work on the Brightwater Treatment Plant to build capacity for the anticipated regional population growth through 2030 and beyond. Additional planning efforts and projects are proposed to reduce regional vulnerability to drought related water shortages.
- Parks Division's capital program includes projects to expand and interconnect our trail systems and improve access to recreational facilities.
- The Solid Waste Division will primarily focus on construction of the 1st Northeast Transfer Station in Shoreline and proceed with work involving Areas 5, 6 and 7 at the Cedar Hills Landfill.
- The Open Space and Flood and Surface Water resources will serve to protect our region's environment and protect salmon habitat. Significant Open Space projects include funding for land acquisition at Discovery Park and add budget for grants awarded to protect Maury Island near shore habitat.

Transportation

- The Transit Division is implementing a capital program to replace the bus radio system while maintaining existing facilities, pursuing Transit Oriented Development proposals, and expanding transit base facilities.
- The Road Services Division will continue the bridge maintenance and replacement program as the Tolt Bridge project is completed. The road overlay program is funded to

cost effectively maintain the road system. Traffic signalization projects will improve area traffic flows.

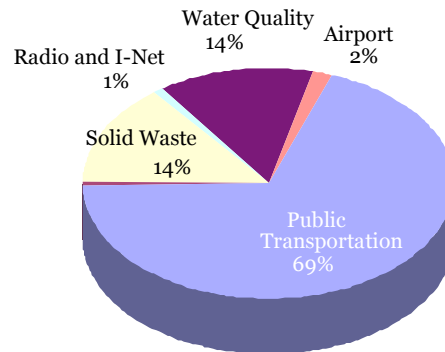
- The King County International Airport capital program priorities include repaving the airport runway and taxiway to comply with safety and legal requirements as mandated by Federal Aviation Administration (FAA).

Figure 14

Enterprise Funds Operating Budgets \$677.6 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Public Transportation	436.8	469.2	32.4
Water Quality	86.9	92.5	5.7
Solid Waste	89.5	96.0	6.6
Airport ¹	10.9	11.5	0.6
I-Net Operations	2.7	2.9	0.2
Transit Fleet Replacement	9.3	2.8	(6.5)
Radio Communications	2.6	2.7	0.1
TOTAL	638.6	677.6	39.0

¹ This fund has been adjusted to exclude transfers from other funds.



Public Transportation

- Despite unprecedented increases in diesel fuel and gasoline prices, METRO Transit will maintain its current fare structure, which was last increased in 2001 until 2008.
- In addition, METRO will increase bus service by 17,800 hours to meet growing demand in the eastern and southern portions of King County.

Solid Waste

- The Solid Waste Division will continue to operate on a stable tipping fee until 2008.
- The Solid Waste Division is increasing its funding for the Green Building Incentive Fund and Sustainable Development Center. The programs seek to minimize the environmental impacts of construction by encouraging resource conservation and usage of recycled content materials.

Water Quality

- The Wastewater Treatment Division's sound financial management will allow the enterprise to operate under the 2005 adopted sewer rates and capacity charges for 2006.

Figure 15

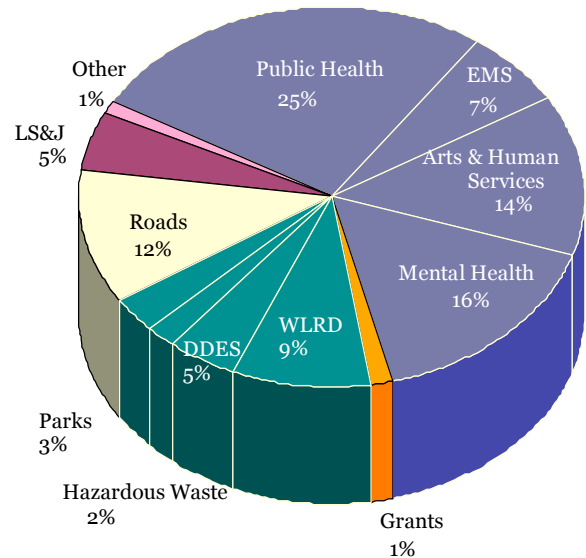
Special Revenue Funds Operating Budgets

\$614.8 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Public Health ¹	166.9	161.4	(5.6)
Mental Health ¹	99.9	98.9	(1.0)
Roads ¹	67.0	71.3	4.4
Water & Land Resources	49.5	54.1	4.6
EMS ¹	37.7	42.0	4.4
DDES ¹	27.0	27.9	0.9
Alcoholism & Sub. Abuse ¹	20.4	21.7	1.2
Developmental Disabilities ¹	21.0	21.9	0.9
Parks	17.8	18.3	0.5
Housing ¹	19.4	17.7	(1.8)
E-911	15.0	17.5	2.5
AFIS	12.6	12.5	(0.1)
Hazardous Waste	11.4	11.9	0.4
Arts & Cultural Dev.	7.4	9.2	1.8
Work Training ¹	6.1	6.2	0.1
Dislocated Worker	6.9	6.9	(0.0)
Grants	6.7	8.6	1.9
Other ²	27.3	6.8	(20.5)
TOTAL	620.0	614.8	(5.2)

¹ These funds have been adjusted to exclude transfers from other funds.

² Other includes Solid Waste Closure, Veteran's Relief Services, Recorder's O&M, Youth Sports, River Improvement, Risk Abatement and Grant funds.



Health and Human Services

- The Department of Public Health has entered the initial stages of an Operational Master Plan (OMP) which seeks to provide guidance in allocating scarce resources among the Department's programs to meet its mandates and mission. Another focus of the OMP is the identification of appropriate long-term, stable funding sources necessary to fund the level of service deemed appropriate.
- King County continues to find itself in the midst of an outbreak of tuberculosis in the homeless and immigrant populations. The 2006 Executive Proposed Budget maintains 2005 funding for additional required screening services, treatment and case management services, contact investigation services, housing and other incentives necessary to control the outbreak in the County's populations most vulnerable for TB, including continued funding for the TB Satellite clinic funded in 2005 as part of the second quarter omnibus supplemental.
- Mental Health/Chemical Abuse Dependency Services (MHCADSD) will continue to provide countywide services to individuals, families, and communities affected by mental illness and/or substance abuse or chemical dependence. For 2006, the Mental Health Fund will experience reductions in state allocations of Medicaid and non-Medicaid funds

that result in a decrease in spending in the proposed budget. The department is working collaboratively with its service providers to mitigate the impacts of these reductions.

- The 2006 Executive Proposed Budget for the Housing Opportunity Fund (HOF) increases over the 2005 Adopted Budget by \$11 million dollars. This significant increase reflects the Executive's plan to aggressively address the elimination of homelessness. The budget includes \$7.6 million of debt financing to support new programs to eliminate homelessness and anticipates the development of a program to expend \$3.75 million of new revenue approved by the 2005 legislature. These funds enable HOF to solicit and fund housing projects that are a very high priority for the county, providing housing for special needs populations such as homeless people who have been incarcerated, the mentally ill, or the developmentally disabled.

Physical Environment

- The Road Services Division will add staff and upgrade equipment for the King County Traffic Control Center (TCC). A fully operational TCC will improve the efficiency of the King County road system with state-of-the-art technology to improve traffic flow and maximize road capacity.
- In order to preserve the county's natural resources and protect the environment, Water and Land Resources Division (WLRD) will emphasize regional salmon conservation and watershed management for its operating funding priorities in the 2006 Executive Proposed Budget.

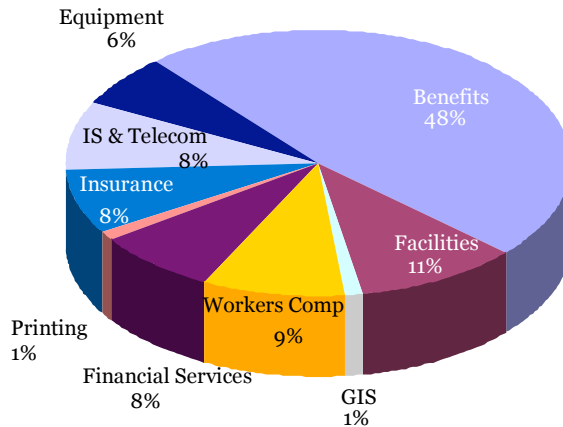
Figure 16

Internal Service Funds Operating Budgets

\$360.3 Million in 2006

Budget (in millions)	2005 Adopted	2006 Proposed	+/-
Benefits	165.3	171.9	6.6
Facilities ¹	35.6	38.1	2.5
Workers Comp	30.5	33.5	3.0
Financial Services ¹	27.7	28.5	0.9
Insurance	20.0	28.4	8.4
Info. Systems & Telecom	27.6	30.1	2.5
Motor Pool & Equipment ¹	23.6	22.8	(0.8)
Geo. Info. Systems	3.5	3.7	0.2
Printing	3.6	3.4	(0.3)
TOTAL	337.4	360.3	22.9

¹ These funds have been adjusted to exclude transfers from other funds.



Benefits

- The proposed budget increases the health benefits rate charged to county agencies by five percent to \$982 per employee per month from the 2005 rate of \$935. Claims costs were lower than anticipated in 2004 and 2005.
- In October 2006, King County employees will be able to enroll in health plans using an online tool developed by the Benefits Health Improvement Project. This project will increase efficiencies in the enrollment process by reducing a highly manual paper process.
- In 2006, employees will be engaged in a process to complete Wellness Assessments and Personal Action Plans, which will determine eligibility for enrollment in the new Healthy IncentivesSM Benefits Plans beginning in 2007.

Facilities

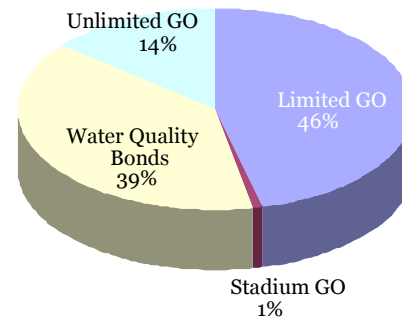
- The Facilities Management Division seeks to improve the public's safety in county facilities with the 2006 budget proposals, including implementation of additional court-mandated security screening and to respond to increased security demands as a result of garage relocation and construction of the New County Office Building.
- In order to preserve the courthouse's historical nature, the Division proposes increasing maintenance to meet requirements of service level contracts. These contracts include the care and preservation of historical courthouse details.

Figure 17

Debt Service Fund

\$333.7 Million in 2006

Budget (in millions)	2005	2006	+/-
	Adopted	Proposed	
Limited GO Bonds	131.9	154.1	22.2
Water Quality Bonds	120.5	130.0	9.5
Unlimited GO Bonds	43.5	47.5	4.0
Stadium GO Bonds	2.2	2.2	0.0
TOTAL	298.1	333.7	35.7



Debt Service

- The 2006 Limited General Obligation Bond debt service is proposed to increase by approximately \$22 million from the 2005 level. \$13 million of the increase is due to proposed additional contingent budget authority to allow flexibility to defease Safeco Field debt with early principal payments. The remainder of the increase is associated with payment schedule requirements associated with Wastewater debt issued in 2005.
- The next potential debt issuance for Current Expense funded debt is estimated to occur in late 2007. Debt proceeds will fund three Council approved projects at the King County Correction Facility. The projects are the Integrated Security Project, Jail Health and the Intake, Transfer and Release (ITR) project. The Council approved a parking garage tunnel project that will also be included in this debt issuance with payment scheduled to begin in 2008.
- Unlimited General Obligation Bond debt payment for 2006 is slightly higher than 2005 due to technical adjustments associated with recently issued Harborview Medical Center debt.
- The difference between Limited General Obligation Bond Financing and Unlimited General Obligation Bond is that Unlimited is approved by the voters while Limited is approved by the King County Council.